

UNITED STATES DEPARTMENT OF AGRICULTURE



LINKING U.S. AGRICULTURE TO THE WORLD

PROSPECTS IN THE GLOBAL BEER MARKET

COMMODITY AND MARKETING PROGRAMS – AGRICULTURAL EXPORT SERVICES DIVISION
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EXECUTIVE SUMMARY

Global trade of beer was \$6.6 billion in 2003, an increase of 58 percent above 1997 levels. The U.S. was the largest import market, valued at \$2.7 billion, up 80 percent in the same time period. The overall increase in beer trade is due in part to growing demand for low-calorie lagers as well as increasing demand for high-margin, premium or specialty brands in the mature markets of North America and Western Europe. In addition, industry consolidation is driving supermarket and hypermarket sales for the four major international breweries whose economies of scale are displacing smaller local breweries from the market.

Total U.S. beer exports were \$175.5 million in 2003, down 45 percent compared to 1997 levels. The decline is due to U.S. brewers either brewing overseas themselves or licensing their products to local brewers as a means for cutting shipping costs. The export forecast for 2004 calls for a drop of 1.5 percent, or \$2.6 million, compared to 2003. The top three beer markets for U.S. exports in 2004 are forecasted to be Mexico (\$53 million), Canada (\$48 million), and Taiwan (\$16 million)

Globally, the major exporters of beer are the Netherlands (\$1.5 billion), Mexico (\$1.2 billion), and Germany (\$886 million).

While the larger labels dominate exports, traders report growing interest for U.S. specialty beers. Industry sources claim that foreign consumers, particularly in developed markets, are becoming aware of the different types of U.S. specialty beers. U.S. specialty beer exporters should see increased demand over the next several years due to the following factors:

- Rising consumer income and sophistication.
- Constant exposure to U.S. culture.
- The rapid development and acceptance of a wide variety of specialty beers.

Foreign market interest in specialty beers may reverse the slow growth and underutilized capacity that resulted in mergers, consolidations, and acquisitions within the U.S. industry.

PROSPECTS IN THE GLOBAL BEER MARKET

INTRODUCTIONⁱ

The global trade in beer reached \$6.6 billion in 2003. The market has experienced a respectable annual growth rate of nearly 7 percent during the 1997–2003 period.

Consumers in Europe and Japan, in addition to consuming standardized, mass marketed lagers, are developing a taste for beers that impart worldliness and sophistication normally associated with craft and specialty beers.

Brewed with premium hops and yeast strains, craft and specialty beers are made with 100 percent malted barley, wheat, rye, or roasted barley. Properly marketed, such beers can make inroads in the premium import niche market, where analysts indicate a marked propensity for consumers to increasingly favor high margin, premium brands.

PRODUCT SEGMENTATION

The industry classifies U.S. beers into three distinct categories:

- **Lagers (American-style):** Dominating the U.S. market these are brewed by bottom fermentation at a slower rate and cooler temperature than ales. Lagers are “light in body and color, being very clean and crisp, as well as assertively carbonated.” Lagers have malt sweetness that is normally light to mild with weak to negligible hop bitterness.
- **Brown Ales (American-style):** These brews utilize top-fermenting yeast that brew faster and at a warmer temperature than lagers. Colors range from deep copper to almost brown. American brown ales have mild roasted malt caramel and chocolate flavors and aromas.
- **Porters and Stouts:** Very dark, almost black, these top-fermenting brews are characterized by both highly roasted malt flavors and sweetness.ⁱⁱ

ⁱ This report was compiled by Mariano J. Beillard, Agricultural Export Services Division of FAS. Additional information on individual markets (e.g. retail sector, labeling requirements, tariff information, and importer lists) is available from FAS offices overseas, or from the Agricultural Export Services Division (AGX): Telephone: (202) 720-6343, Internet: <http://www.fas.usda.gov/agx/AGX.html>.

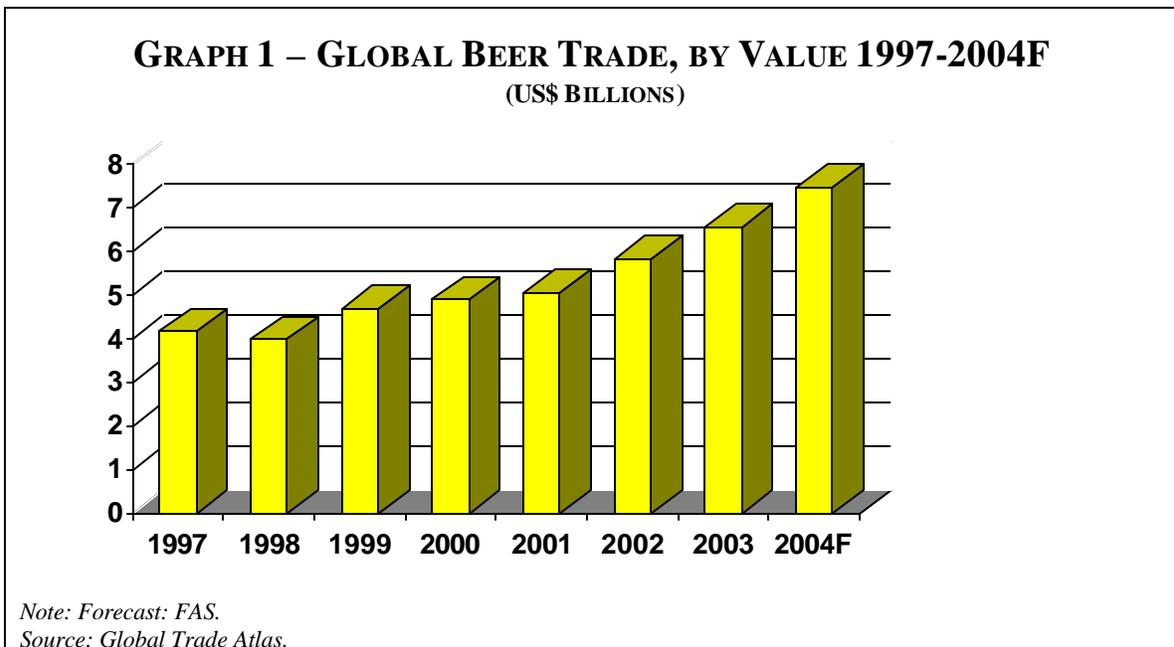
Disclaimer: Statistics herein are not official USDA statistics unless otherwise specifically noted.

ⁱⁱ A more comprehensive listing is detailed in *Appendix B*.

GLOBAL BEER MARKET

The global export market for beer was approximately \$6.6 billion in 2003 (Graph 1). Global exports of beer have grown by nearly 59 percent in 2003 compared to 1997 levels as consumers, both in the United States and abroad, increasingly demand for more premium priced beers.

Reflecting the growing trend for premium priced and specialty niche beers have been U.S. exports growing by \$4.1 million to \$175.5 million, or over 2 percent compared to 2002 levels. Growth in exports has occurred precisely at a time when major U.S. brewers are either licensing out their product or brewing themselves overseas. The upswing in exports can be attributed to growing demand for premium priced U.S. beers not normally brewed overseas.



Analysts concur that growth in a number of markets worldwide, especially in developing markets such as those of China and Russia, is being driven in recent years by increasing disposable incomes, improved living standards, and the expansion of foreign investment in the form of strategic alliances with local brewers

The mature markets of North America, Western Europe, and Australia and Japan are increasingly seeing brewers shift emphasis away from volume growth to focusing on premium beers. Current brewer strategy focusing on premium beers is a result of changing consumer preferences, especially among younger consumers who are increasingly favoring flavored alcoholic beverages over traditional lagers and dark beers.

Table 1 shows that the United States and Great Britain are large consumers of beer. Nevertheless in per capita terms both of these countries are mid-range consumers. The Czech Republic ranks first with a per capita consumption of 160 liters followed by Ireland with 158 liters.

TABLE 1: PRODUCTION, SUPPLY, AND DEMAND IN THE TOP SIX GLOBAL IMPORT MARKETS * (BASED ON DOLLAR IMPORT VALUES)						
COUNTRY	PRODUCTION (MN LITERS)	IMPORTS (MN LITERS)	EXPORTS (MN LITERS)	APPARENT CONSUMPTION (MN LITERS)	POPULATION (000S)	PER CAPITA CONSUMPTION (LITERS)
UNITED STATES*	23,390.9	2,537.7	287.1	25,641.5	276,555	92.7
UNITED KINGDOM	5,667.2	647.7	319.4	5,906.4	59,591	99.1
ITALY	1,259.2	443.7	68.9	1,634.0	57,875	28.2
FRANCE	1,811.7	480.2	229.0	2,062.9	59,344	34.7
CANADA*	2,391.7	167.8	438.1	2,121.3	30,807	68.8
SPAIN	2,760.0	360.8	75.2	3,045.6	39,527	77.0

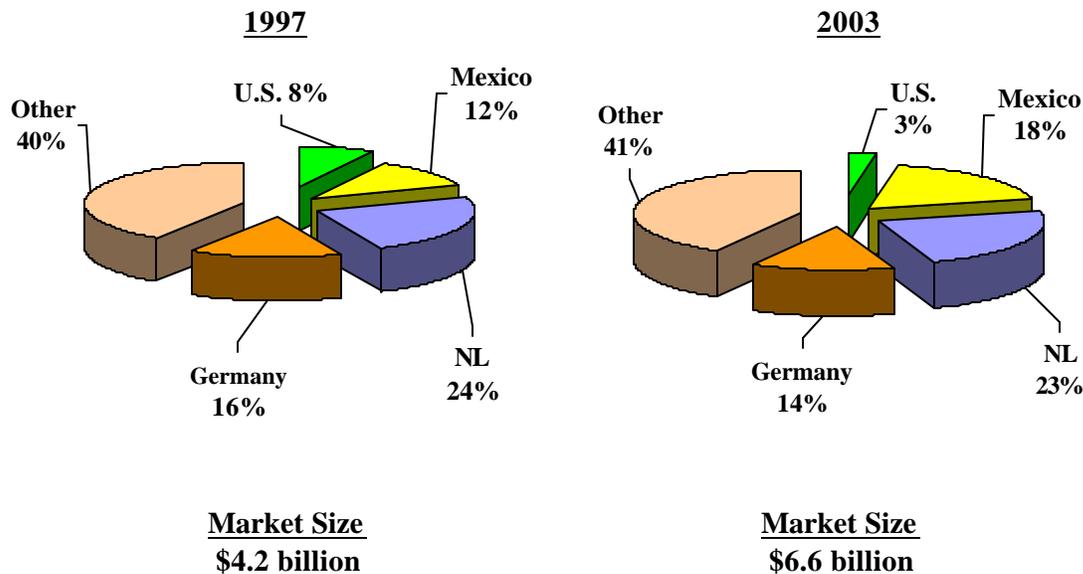
Note: * Calculations are based on year 2002 data. United States and Canada figures are based on 2001 data.

Source: Euromonitor.

Graph 2 on the following page highlights global beer exports and the percent controlled by the United States.

- Up until recently, decreasing market share for U.S. beer products could be attributed to a strong dollar as well as increased brewing of American-brand beers overseas. Currently the latter has gained added importance.
- U.S. beer exports fell by \$146 million while the overall size of the export market expanded by over \$2.4 billion in 2003 compared to 1997.
- U.S. imports accounted for over \$1.5 billion in 1997 and for \$2.7 billion in 2003.

GRAPH 2 – U.S. SHARE OF GLOBAL EXPORT MARKET FOR BEER



*Note: Percentage figures have been rounded.
Source: Global Trade Atlas.*

Demand for U.S. origin beer products is often subject to such factors as:

- International currency fluctuations that strengthen or weaken the U.S. dollar and the competitiveness of U.S. products.
- Exposure to competitive pressures by major U.S. brewers' overseas subsidiaries or licensing partners.
- Expanded competition from non-U.S. producers.
- U.S. novelty and high costs in less affluent markets hinder establishment in markets with lower levels of disposable income.

U.S. origin beers have lost export market share to foreign competitors (from roughly 8 percent in 1997 to around 3 percent in 2003). Global demand for imported beers was relatively stable from 1997 to 2000 and only started to increase again in 2001 – due partly to increased consumer identification of imports with high quality products which, while more expensive than many domestic brews, is perceived as luxury enjoyable across all income levels.

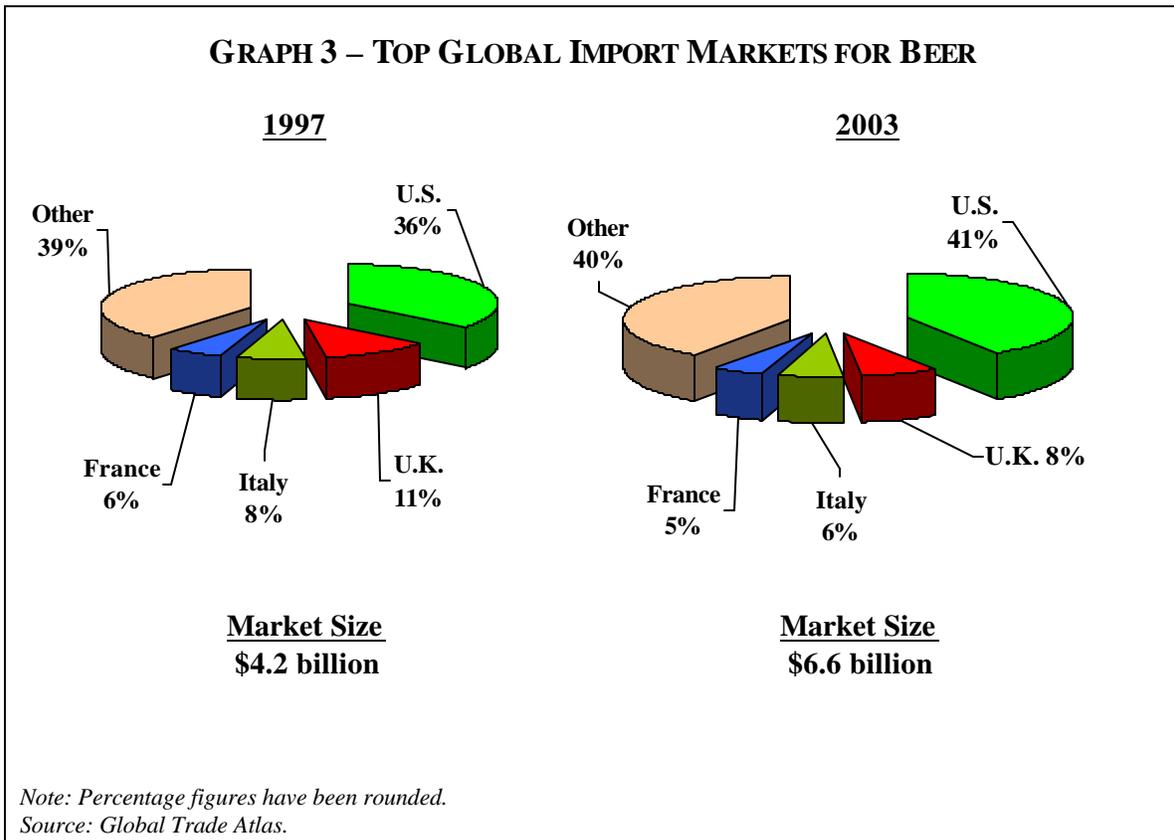
Indicative of this has been the inroads made among global consumers by Mexican origin beer. Market share has increased from about 12 percent to around 18 percent during this time, closing in on first-placed Dutch beers that hold roughly 23 percent market share.

Despite the fact that exports from the Netherlands have grown in value, their market share has remained at 1997 levels.

Industry sources indicate that besides the growth of low-calorie “light beers” in 2003, another interesting development within the industry has been the developing trend in the increase of niche and specialty beers. Analysts cite that with an emphasis on the use of natural ingredients and traditional brewing techniques, niche and specialty beers could win over increasing numbers of consumers.

MAJOR BEER IMPORTING COUNTRIES

The United States is the world’s largest beer importer. In 2003, the import value was almost \$2.7 billion, an increase of 80 percent from the 1997 figure. The forecast for imports in 2004 is roughly \$2.8 billion. Impacting imported beer demand in the 2004-2005 period will be continued U.S. demand for premium imported lagers as more consumers trade up to products that though more expensive than domestic brews are nevertheless seen as being of higher quality. Similarly in the other major import markets the same phenomena is occurring accompanied by expanded consumer demand for products that are perceived to be both fun and a break with more traditional beer styles.



Following the United States, the next largest import markets of beer are the United Kingdom (\$494 million), Italy (\$412 million), and France (\$334 million). Canada with \$242 million in 2003 and Spain with \$171 million follow closely behind these markets as other large importers. These markets have been relatively stable from 1997 to 2002, except the United Kingdom, which dropped slightly in 2000-2001 due to the growth of flavored alcoholic beverages and then recovered in 2003 as their novelty slackened. All markets showed good growth in 2003.

MARKET DRIVERS

Industry sources report three significant factors influence markets:

- Warm weather.
- Health perceptions.
- Mass-marketing campaigns.

Industry analysts also report that major breweries are increasingly targeting women in developed mature markets such as those of the United Kingdom and Belgium. A number of major labels have positioned themselves as the drink of choice for women thanks to marketing campaigns that emphasize the special nuances of certain beers, shying away from generic mass-marketed campaign styles focused on the younger, male consumers.

TOP FIVE U.S. BEER EXPORT MARKETS

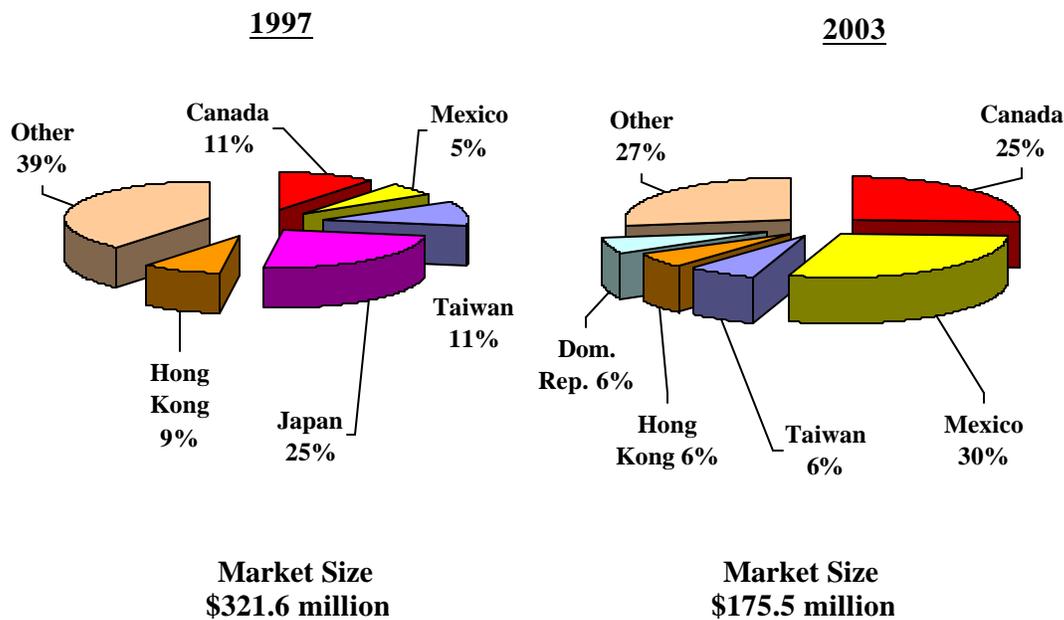
U.S. beer exports in 2003 totaled \$175.5 million with Mexico and Canada as the top destinations. As shown in graph 4 (following page) the top five export destinations for U.S. origin beer in 2003 were: Mexico (\$52 million), Canada (\$44.7 million), Taiwan (\$11.4 million), Hong Kong (\$9.8 million), and the Dominican Republic (\$9.7 million).

U.S. exports in 2004 are forecasted to drop around 1.5 percent compared to 2003 levels, or down by \$2.6 million to about \$173 million. Impacting foreign demand for U.S. beer has been wetter, cooler weather during the northern hemisphere summer in 2004.

To an extent, key market drivers that influence the sale of beer in the United States hold true for foreign markets, such as Canada and Mexico (e.g., language, culture, geographic proximity, and marketing practices).

- The demand for imported U.S. origin beer in the Mexican and Canadian markets boomed from 1997 to 2003.
- Japan as an export destination has fallen from \$79.9 million in 1997 to approximately \$7.9 million in 2003, a drop of 90 percent.
- U.S. exports of beer, while up substantially to both Mexico and Canada, nevertheless dropped by \$146.1 million or roughly 54 percent from 1997 to 2003. This drop is largely attributable to increased brewing of U.S. beers under license overseas.

GRAPH 4 – TOP EXPORT MARKETS FOR U.S. ORIGIN BEER



*Note: Percentages have been rounded.
Source: Global Trade Atlas*

Beer exports to Mexico and Canada have increased in recent years thanks to the North American Free Trade Agreement (NAFTA), which eliminated tariffs on U.S. beer and has been a boon for U.S. exports just when other good markets have declined.

Demand from Japan and Taiwan for U.S. origin beer continues to contract. This is due to an upswing in licensing agreements between major U.S. and local breweries in addition to expanded investment by U.S. companies in local breweries.

Japan's decreased demand for U.S. beer is largely attributable to economic recession. Nevertheless the *Japanese External Trade Organization (JETRO)* also indicated that weak import demand is the result of local production under licensing agreements of quality premium pale lagers by global breweries and consumer perception of imports being of lesser quality than domestically brewed beer.

Despite both Japan's and Taiwan's decreased demand, imports of higher quality beers may expand as their economies improve and the U.S. dollar weakens. This should also hold true in other Asian states as well. For example, Hong Kong, which previously had been a good destination for U.S. beer, has shrunk by close to 66 percent in 2003 compared to 1997. Nevertheless, this market is showing signs of recovery, from a low of \$7.3 million registered in 2000 to upwards of \$9.7 million by 2003.

Table 2 shows the top U.S. beer export destinations in 2003, previous exports to these markets, and illustrates the impact of licensing agreements in Taiwan and Hong Kong. Analysts report that imports account for 10 – 30 percent of consumption in these five markets.

TABLE 2: TOP FIVE U.S. BEER MARKETS BY VALUE AND VOLUME (1997–2003)										
		1997	1998	1999	2000	2001	2002	2003	Annual Percent Growth (1997-2003)	2004 Forecast \$Million
MEXICO	\$Million	18.7	17.4	20.5	26.3	50.4	39.4	52.0	19	53
	% Growth	---	-6.9	17.8	28.2	91.6	-21.8	31.9		
CANADA	\$Million	34.5	35.3	39.8	34.9	37.2	38.2	44.7	4	48
	% Growth	---	2.3	12.7	-12.3	6.5	2.6	17.0		
TAIWAN	\$Million	35.2	28.0	19.6	16.6	15.4	14.3	11.4	-17	16
	% Growth	---	-20.4	-30.0	-15.3	-7.2	-7.1	-20.2		
HONG KONG	\$Million	28.2	22.6	13.6	7.33	9.47	9.16	9.78	-16	10
	% Growth	---	-19.8	-39.8	-46.1	29.1	-3.2	6.7		
DOM. REP.	\$Million	0.08	0.17	0.31	1.01	4.55	10.4	9.71	123	3*
	% Growth	---	112.5	82.3	225.8	350.4	128.5	-6.6		

Note: Given the Dominican Republic's financial crisis (2003 – 2004) and the disruptions caused by an active hurricane season, expect 2004's end-of-year results to be off by more than 50 percent compared to 2003 results and much lower than the historical trend would indicate. Forecast: FAS.

Source: Global Trade Atlas.

Mexico

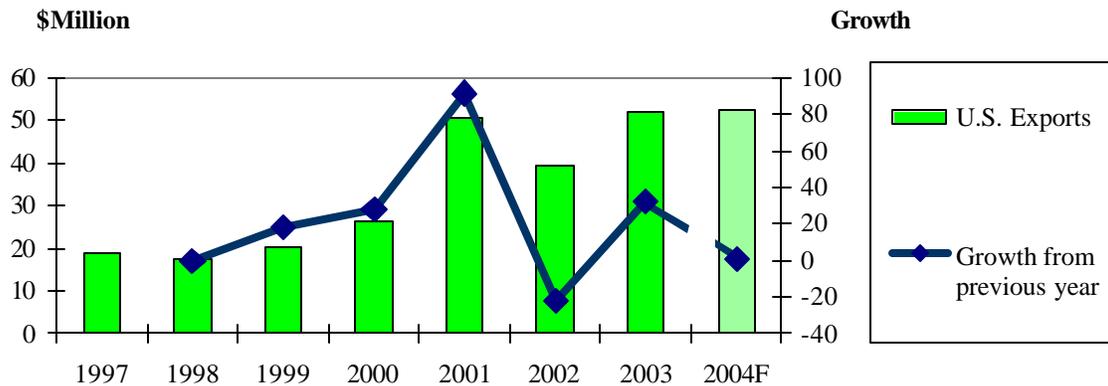
U.S. exports to Mexico by value have increased by 178 percent in 2003 compared to 1997 figures (Graph 5, following page). Total sales for 2003 hover at \$52 million with a 2004 forecast of almost \$53 million.

Mexico's market continues to be dominated by pale, light-bodied lagers, leading to weak consumer exposure to craft beers. Nevertheless, there are possibilities for craft beer, because U.S. origin beers dominate the Mexican import market.

- Increased purchasing power by Mexican consumers will lead to expanded growth. Growth will be fueled by significant numbers of new consumers entering the vitally important 18 – 24 year-old age group.

- Analysts indicate that U.S. beers, especially the premium beers, stand to benefit from product price increases by Mexico's largest breweries.
- Import consumption is driven by a combination of demand from upper income consumers and tourist-specific venues.

GRAPH 5 – U.S. EXPORTS OF BEER TO MEXICO



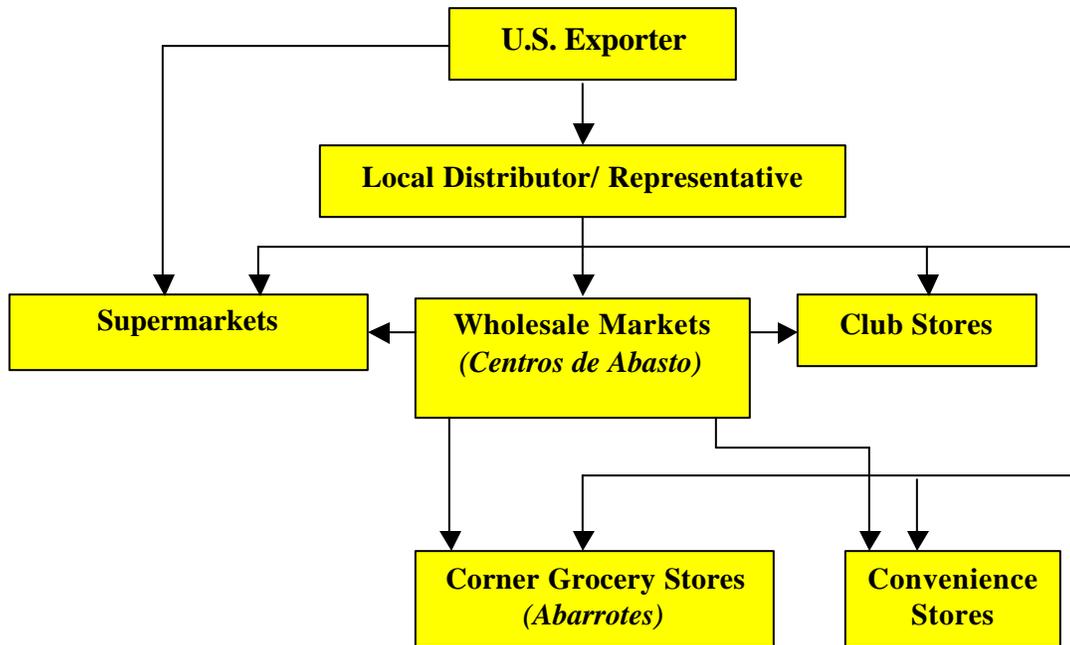
*Note: Local import market demand is completely dominated by U.S imports. Forecast: FAS.
Source: Global Trade Atlas.*

Exporter Marketing Channels – Mexico

Mexico's distribution channels, though improved since NAFTA's implementation, remain confusing to many exporters, often creating back-ups at the border.

The market's full potential is stymied by the presence of multiple retail channels. Various industry sources indicate that a significant amount of the retail trade continues to be carried out by sidewalk vendors and other informal means.

GRAPH 5A – EXPORTER MARKETING CHANNELS – MEXICO



Source: USDA - FAS

Though the average consumer's familiarity with beer is limited largely to pale, light-bodied lagers, U.S. exporters of craft and specialty beers may find niche opportunities. These opportunities reside with Mexico's tourist bars, upscale restaurants, and hotels. Other avenues to explore include the country's hypermarkets, warehouse clubs, and even the large liquor stores.

Some key issues to consider:

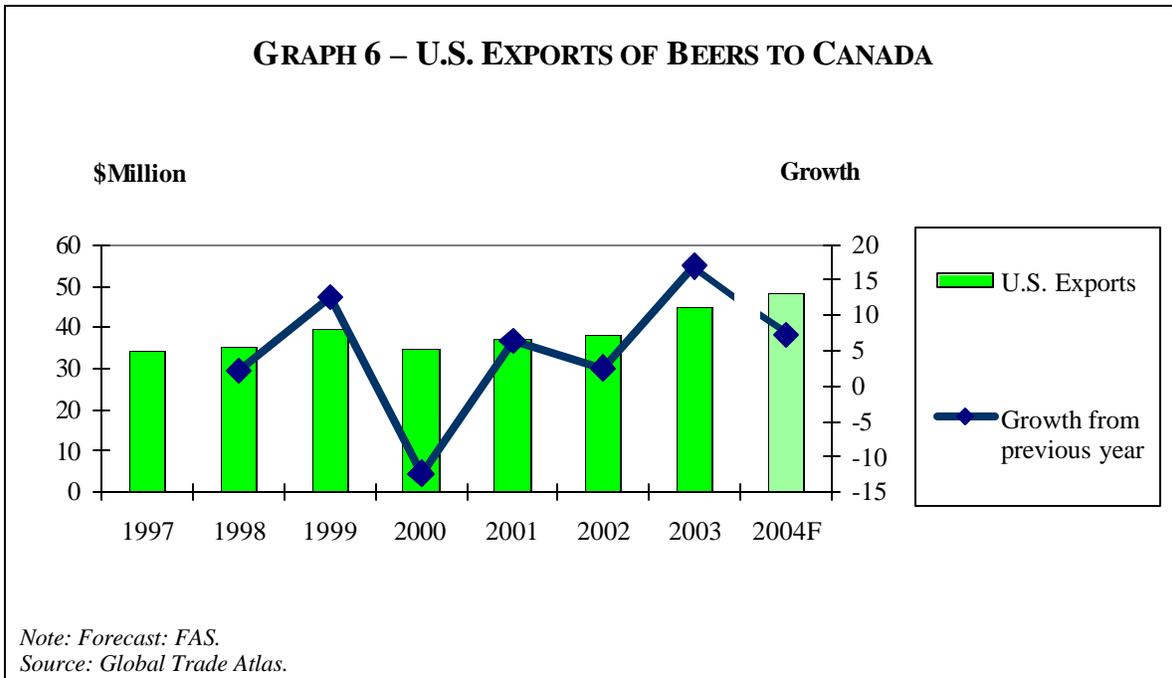
- Mexican beer drinkers tend to prefer bottled beer.
- Middle-and upper-class consumers increasingly prefer upscale and distinctive products.
- An effective means for entering the market has been to place product in upscale retail stores and restaurants and bars frequented by tourists.

Canada

U.S. exports of beer to Canada reached \$44.7 million in 2003, up by almost 30 percent in 2003 compared to 1997 levels. Graph 6 illustrates the trend associated with demand for U.S. origin beer. Canada is second only to Mexico as an export destination for U.S. beer.

Demand for higher priced imports reflects changing tastes and exposure to intensive marketing and advertising. Higher priced imports command a strong following given the extensive marketing by importers of European and Mexican quality premium pale lagers.

- Growth in the Canadian market will center on premium and specialty dark beers and lagers.
- Geographic and cultural proximity influences the demand for U.S. origin beers. Some stateside marketing practices can be adapted for Canada.

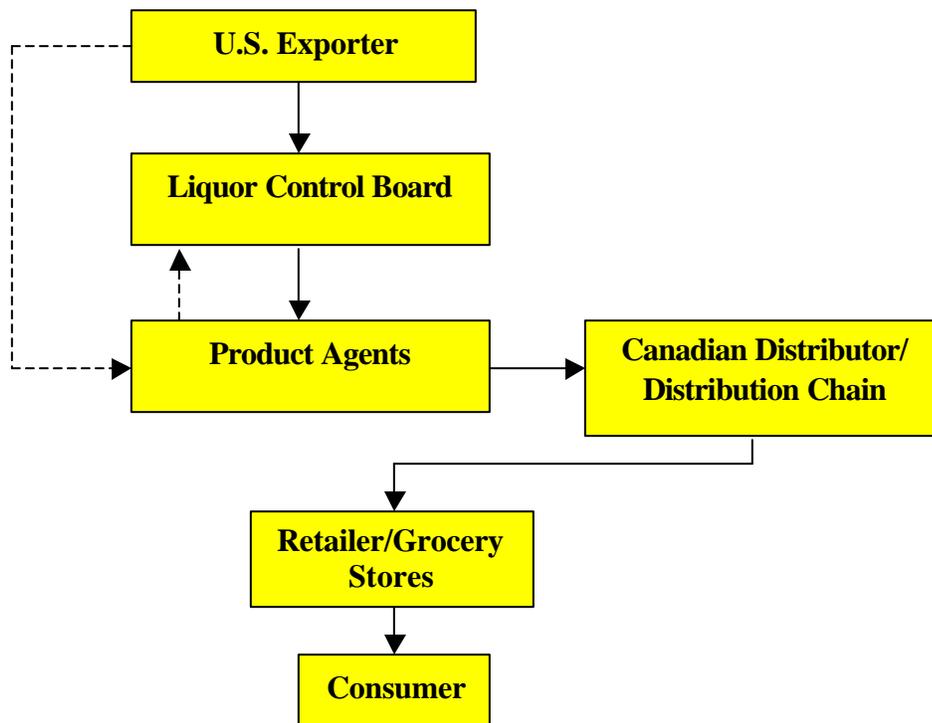


Exporter Marketing Channels – Canada

The only legal importer of beer is the Liquor Control Board. This entity, located in each Canadian province, imports all alcoholic products and then turns them over to agents for product promotion. Any attempt to launch products into the Canadian market must be focused on product agents and motivating the Provincial Liquor Boards to approve the import of particular beer products. For more information see the Exporter Guide written by FAS Ottawa, available at <http://www.fas.usda.gov/gainfiles/200211/145784692.pdf>.

The retail sector in Canada normally obtains the bulk of its product from a handful of key distributors. Also, while U.S. origin beers enter Canada with no tariff, there is a 7 percent goods and services tax assessed on FOB value, as well as additional taxes in some provinces.

GRAPH 6A – EXPORTER MARKETING CHANNELS – CANADA



Source: USDA – FAS and Canadian Association of Importers and Exporters.

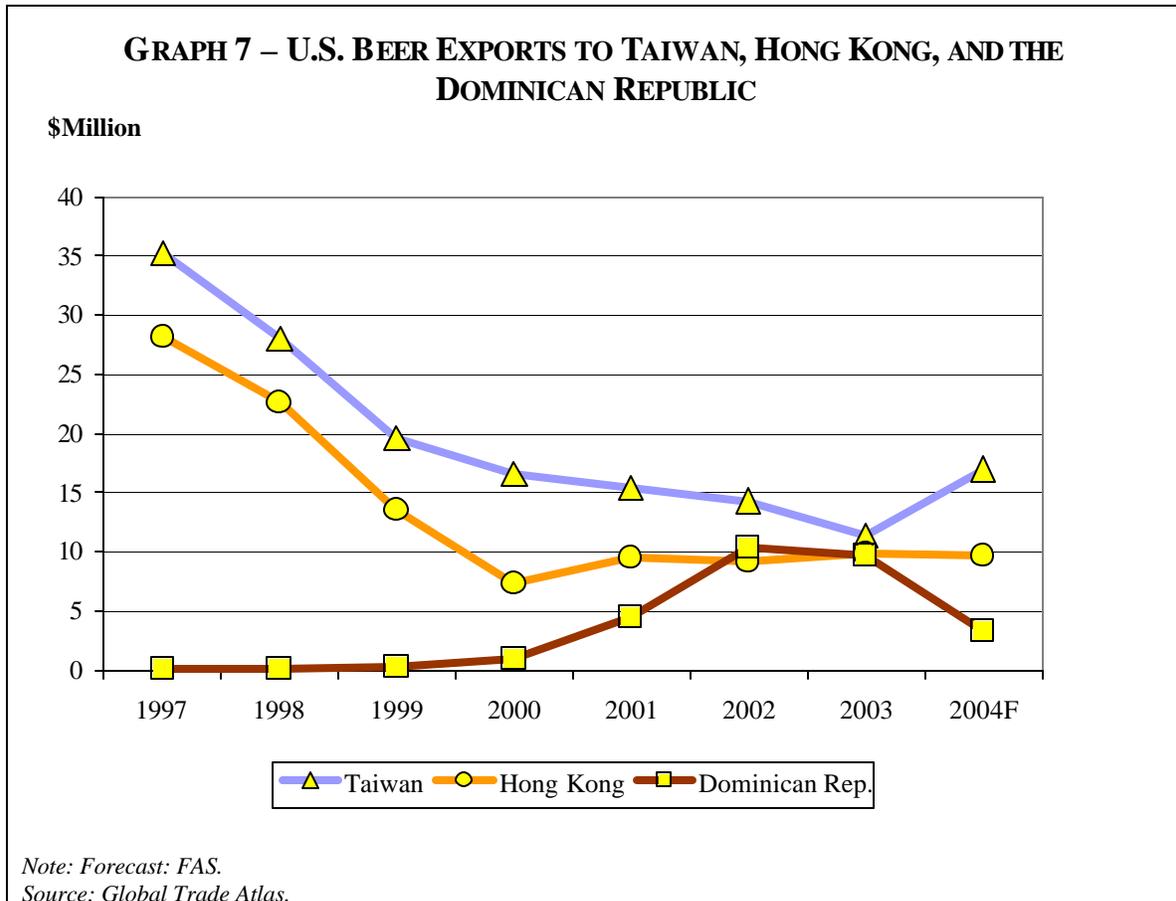
Smaller Primary Markets – Taiwan, Hong Kong, and the Dominican Republic

U.S. exports to Taiwan by value have fallen by over 67 percent in 2003 compared to 1997 figures. Total imports for 2003 hover at \$11.4 million with January–September 2004 imports reported at close to \$12.8 million, an increase of more than 33 percent compared to the same period in 2003 (Graph 7). Increased competition from regional breweries, the take-off of licensing agreements, the presence of strong domestic brewers, and the outbreak of SARS all contributed to declining import demand for U.S. beer.

Following the current trend Taiwan should absorb around \$16 million worth of U.S. beer imports in 2004. In addition Taiwanese consumers, particular younger ones, favor light, rich tasting beers. According to industry sources these notoriously fickle and brand-conscious drinkers shy away from dark beers and stouts, leaving them for the expatriate community or locals who spent time abroad.

Other significant export destinations have shown improvement. For instance, Hong Kong's demand for American beer imports has stabilized from its precipitous fall in the late 1990s; by 2003 imports totaled \$9.7 million. The Dominican Republic has quickly

become a good export destination with 2003 imports totaling roughly \$9.7 million, although 2004 imports through September are only at \$2.5 million, or off by over 61 percent compared to the same period in 2003 (Graph 7) due to financial crisis in the country and a highly active hurricane season and its impact on the tourist trade.



Though Hong Kong’s demand for imported U.S. origin beers is off by 16 percent in 2003 compared to 1997, this market shows signs of stability and possible recovery. If the current trend based on data through September 2004 holds, Hong Kong should not stray too far away from 2003 reported levels.

Hong Kong, with its entrenched historical links to the West, significant level of affluence, and high urbanization remains an excellent export destination for U.S. beers. Hong Kong’s imported beer market stood at \$72 million in 2003, of which U.S. imports accounted for \$9.7 million.

The strongest competitors for U.S. beer imports are Mexican quality premium pale lagers, which controls approximately 40 percent of the imported beer market. Popular Dutch and Danish style lagers are increasingly being sourced from China where they are brewed for both domestic consumption and export.

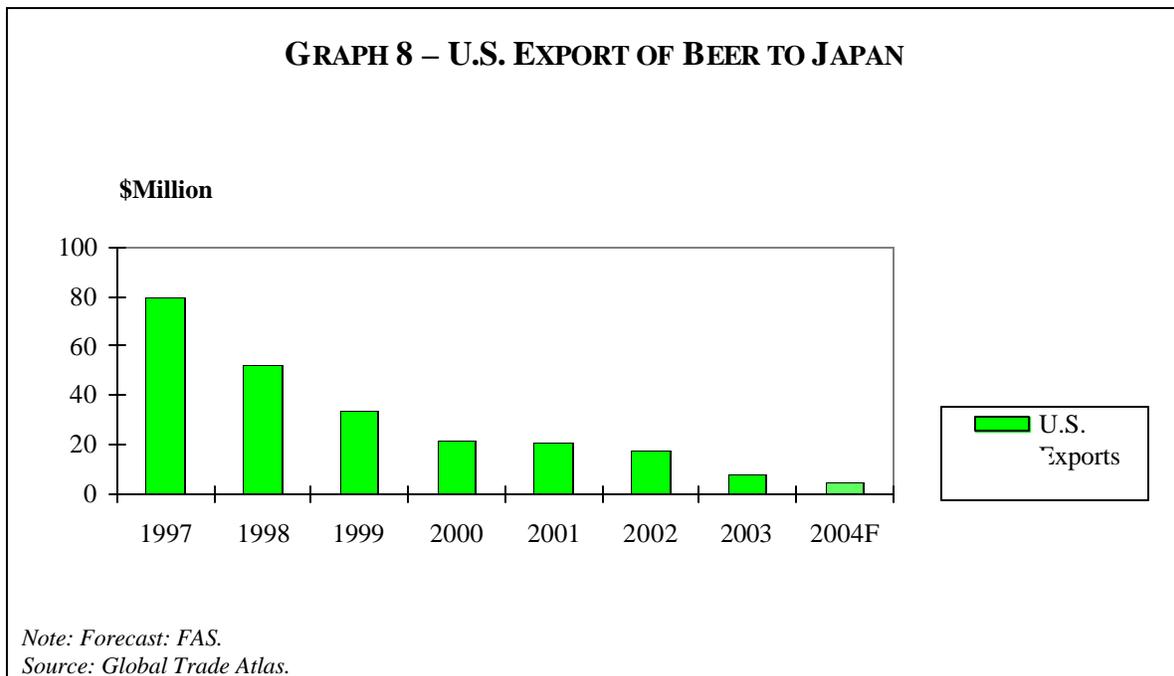
In the Dominican Republic, U.S. exports grew from virtually nothing in 1997 to \$9.7 million in 2003. Notwithstanding its small population, the Dominican Republic's proximity to the United States and Puerto Rico has engendered a fondness for things American. Like other Caribbean markets, principal competitors for U.S. beers are products from Mexico, the European Union, and Jamaica.

As with other Caribbean markets, projected Dominican growth will likely be lower than forecasted given the country's recent financial difficulties and the effects of an active hurricane season.

EXPORT DESTINATIONS TO WATCH

In the short-term, developments in the following select secondary markets during late 2004 and through 2005 could be promising for U.S. exporters: Japan (\$7.9 million), South Korea (\$4.1 million), Aruba and Netherlands Antilles (\$4.9 million), and the Bahamas (\$3.0 million).

Japan has become a secondary export destination for U.S. beer (2003 imports are down 90 percent compared to 1997), but continues to demand a fair amount of U.S. beer (\$7.9 million in 2003) (Graph 8).



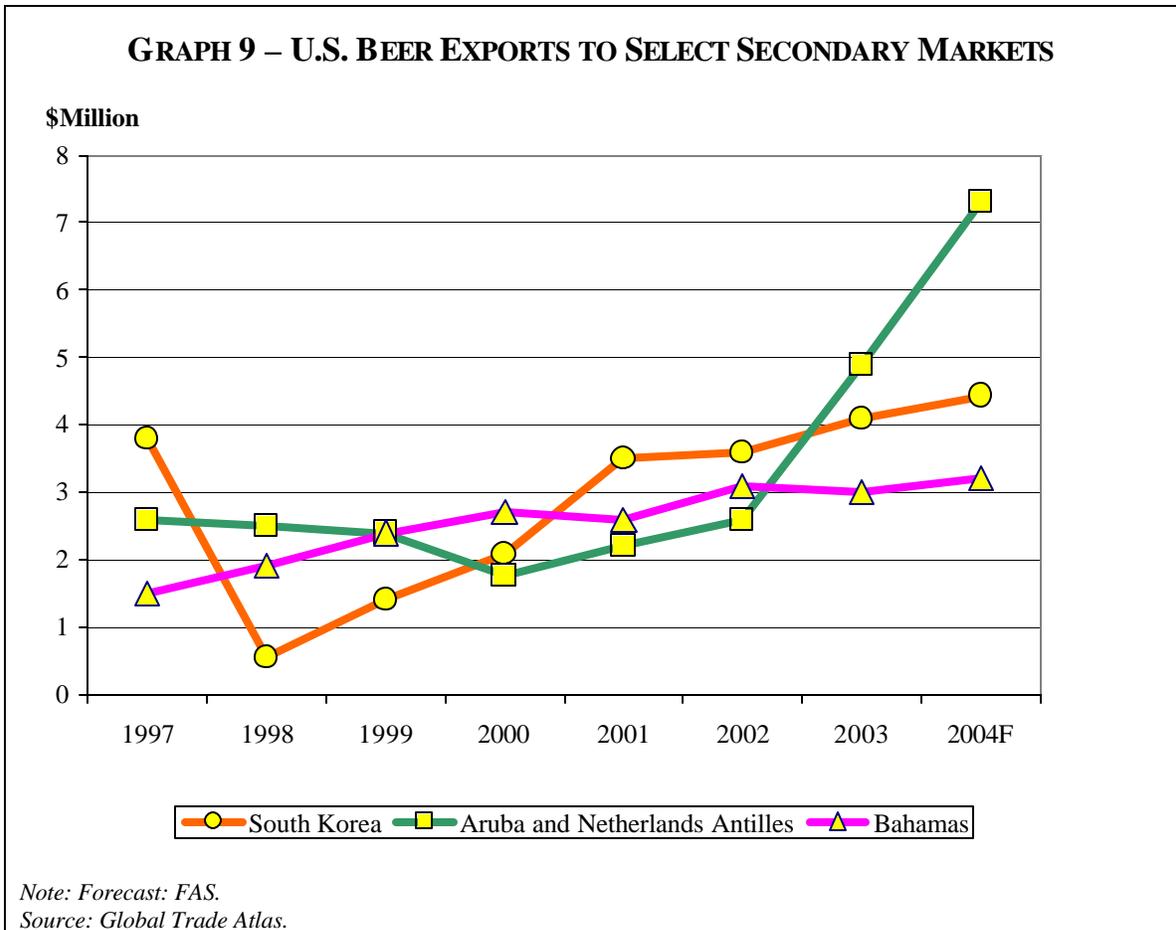
Adversely impacting demand for all beer has been the increasing popularity of low-priced, low-malt, sparkling alcoholic beverages such as *happoshu*. Until recently *Happoshu's* popularity was due to a tax loophole that allowed its sale for about two-

thirds the cost of beer, as well as the perception of its being a healthier alternative. Sales of *Happoshu* should slow now with the elimination of the tax loophole and benefit beer sales.

The best prospects for U.S. beer reside with beer connoisseurs. According to industry specialists an effective strategy is to distribute initially through selected Western-style restaurants before attempting to mass market through supermarket and department store chains.

Sources indicate that an alternative strategy entails partnering with local importers/distributors. For instance, importers/ distributors have for over a decade imported Pacific North West craft and specialty beers under their own label, tailoring these to the Japanese market's taste and packaging preferences.

Starting from a small base, the other secondary export markets of South Korea, Aruba and the Netherlands Antilles (combined), and the Bahamas have seen fair, stable growth during the review period (1997-2003) (Graph 9).



South Korea's demand for U.S. beer imports has recovered from its precipitous fall in 1998; by 2003 imports totaled more than over \$4.1 million or an increase of 7.8 percent compared to 1997. The combined markets of Aruba and the Netherlands Antilles, with a value of \$4.9 million (2003), continue to absorb a fair amount of U.S. origin beers. The Bahamas has seen imports of U.S. beer go from a mere \$1.5 million in 1997 to over \$3 million in 2003, or a 100-percent increase. Nevertheless for the island markets actual year-end results may be lower than forecasts given the unusually active hurricane season in 2004.

South Koreans consume 40 – 45 liters of beer per year compared to the 70 liters of beer consumed on a per capita basis by the Japanese and the 20 liters per year consumed by the Chinese. Beer sales account for approximately 60 percent of all alcohol sales in South Korea.

The principal caveats associated with this market pertain to lack of variety and high import duties on imported alcoholic beverages, thus limiting the general populace's exposure to alternative beers. According to industry sources consumers, especially younger males prefer highly carbonated, sweet lagers.

The outlook for premium imported beer products is steadily improving as younger consumers, who tend to be better educated and better traveled than their elders, try more imported beers. The fusion of Eastern and Western trends is leading to the rise of more Western-style bars, pubs, and cafes that are popular with younger consumers, which facilitates the distribution of imported beer products.

Importers suggest that U.S. craft and specialty beer exporters should focus on meeting younger consumers' interest for new, different tastes that break with tradition. Industry analysts concur that bolder flavors and nonstandard bottles and labeling appeal to this population, which seeks to assert a distinct identity for itself.

The small population of Aruba, the Netherlands Antilles, and the Bahamas disguises the potential of these markets. Proximity to the United States, an affinity for things American, and the inability to brew in sufficient quantity create opportunities for U.S. origin beers.

On a country-by-country basis, these island markets represent good export destinations for smaller exporters. For example, Bahamian demand for U.S. beer currently surpasses Germany's (\$3 million vs. \$208,000 in 2003). Bahamian import demand for U.S. origin beer similarly exceeds that of the United Kingdom, which has dropped from \$2.1 million in 2002 to just under \$1 million in 2003.

In the Caribbean, European and Mexican beers, as well as those from Jamaica and the Bahamas, compete against U.S. origin beers. Furthermore, beer industry specialists indicate that the full impact of foreign beers in this market may actually be going underreported since for example European global brewers have operations or significant stakes in local breweries.

CONCLUSIONS AND OUTLOOK

According to trade sources, opportunities exist for U.S. beers in the \$3.1-billion dollar import market. Best U.S. export markets in 2003 are Mexico (\$52 million) and Canada (\$44.7 million), and will remain so for the foreseeable future. These destinations show steady rising demand for U.S. beer. Consumer familiarity with U.S. beers will facilitate new opportunities.

Importers believe that demand for quality craft beer is poised to take off as the beer industry becomes more consolidated, a tendency that is eliminating many traditional brands in large foreign markets. Smaller U.S. breweries may well profit from this trend. The export of certain craft and specialty beers reminiscent of local favorites will allow U.S. exporters to fill that demand.

International markets vary. For example, Germany remains highly parochial in its preferences, often preferring local brews that are increasingly costly to produce and market. Other markets, such as the Czech Republic with a per capita consumption of 160 liters per year, remain highly price sensitive. Even China, the second largest consumer market, continues to be driven largely by volume sales of inexpensive beer.

Success often hinges more on catering to niche markets, such as beer connoisseurs, young image conscious drinkers, and consumers whose preferences for low volume, old-fashioned brews are not profitable for the larger brewers. Smaller exporters should focus on meeting consumer demand for an alternative to standard mass-produced and mass-marketed lagers.

As with most exports, freight costs and customs duties impact competitiveness. Some exporters consequently concentrate on a couple of markets and ship usually only four – six 40-foot containers per year. Successful market development for U.S. exports is possible with the right combination of local partners, niche market focus, and patience.

APPENDIX A: OVERVIEW OF BEER

What Is Beer?

For the purist, beer is brewed either by adhering to the *Bavarian Purity Law of 1516 (Reinheitsgebot)*, and thus only contains water, barley, and hops (later additions were yeast and barley malt), or is brewed with the help of additional (nontraditional) adjuncts such as rice or corn. These adjuncts, according to the *Stone Brewing Company*, are utilized essentially to make beer “lighter and less aggressive in flavor” so as to be more marketable to a wider audience.

Additionally, beers will vary by ratio of ingredients, brewing temperature and technique, alcohol content, aging time, color, aroma, and taste.

Most commercial beers (e.g., pilsner/lagers) will normally be at their optimum within 120 days of leaving the brewery, assuming they have been kept at the proper temperature. However, darker heavier beers will tend to travel better and store longer. These factors need to be kept in mind by small-to medium-size beer exporters when trying to develop overseas markets for their products. The effectiveness of the distribution network in getting the product to the end user while still at its optimum, the product’s packaging, and its price, will also be variables factored into a purchaser’s assessment of the value versus the quality of the product.

The larger brewers in most markets focus on differentiation as a means of creating and maintaining consumer preferences for their particular labels. Smaller breweries can satisfy demand for those specialty beers, which the major brewers find cost-prohibitive to brew.

APPENDIX B: ALES AND BEERS BREWED IN THE UNITED STATES

The multitude of beers available to the public will vary by country, region, brewing technique, and quantity and quality of hops utilized, and yeast strain. For a technical breakdown of the different beer styles currently produced in the United States, see the *Association of Brewers 2003 Beer Style Guidelines* at http://www.beertown.org/education/pdf/beer_styles_2003.pdf.

Ales and Beers Brewed in the United States		
Ales	Porters and Stouts	Wheat Beers
<ul style="list-style-type: none"> ➤ Barley Wine ➤ Belgium-style (Flanders, Dubbel, Tripel) ➤ Belgium Lambic (Gueuze/Fruit) ➤ Bitter Ale ➤ Brown Ale or Nut Brown Ale (American, English, and German) ➤ Cream Ale ➤ French-style Bière de Garde ➤ French-Belgium Saison ➤ Golden or Blonde Ale ➤ India Pale Ale (Imperial or Double) ➤ Kölsch ➤ Old Ale ➤ Pale Ale (Belgium, English, and American) ➤ Red Ale (Irish, Imperial or Double, American/Amber) ➤ Scotch Ale ➤ Strong Ale ➤ Summer Ale 	<ul style="list-style-type: none"> ➤ Brown Porter ➤ Robust Porter ➤ Classic Irish-style Dry Stout ➤ Foreign-style Stout ➤ Imperial Stout ➤ Specialty Stout ➤ Sweet Stout 	<ul style="list-style-type: none"> ➤ Belgium-style (Wit)/Wheat ➤ Berliner-style Weisse Hefeweizen ➤ South German-style Kristal ➤ South German-style Dunkel ➤ South German-style Weizenbock ➤ Weisse/Weissebier, Weizenbier ➤ White Beer or White Ale
Lagers	Bocks	Others
<ul style="list-style-type: none"> ➤ American Lager ➤ American-style Light Lager ➤ American-style "Light" Amber lager ➤ American-style Amber Lager ➤ American-style Premium Lager ➤ American Ice Lager ➤ American-style Märzen/Oktobertfest ➤ American Dark Lager ➤ Dortmunder European-style Export lager ➤ Dry Lager ➤ European Low Alcohol Lager/German licht bier ➤ Müncher-style Helles ➤ Pilsener (American, Bohemian, European, and German-style) ➤ Vienna-style Lager ➤ German-style Märzen/Oktobertfest ➤ European-style Dark/Münchner Dunkel ➤ German-style Schwarzbier ➤ Bamberg-style Rauchbier Lager 	<ul style="list-style-type: none"> ➤ Doppelbock ➤ German-style Eisbock ➤ German-style Helles Bock/Maibock ➤ Traditional German-style Bock 	<ul style="list-style-type: none"> ➤ Australasian or Tropical-style Light Lagers ➤ Dry Beer (Japanese) ➤ Monastery/Abbey and Trappist Beers ➤ Non-Alcoholic Beer ➤ Steam Beer

Source: Association of Brewers, the Beer Advocate, and Epinions.

APPENDIX C: BREWERY CLASSIFICATION AND DESCRIPTION

Brewery Classification and Description	
Brewery Classification	Operational Description
Microbrewery	Small American breweries that produce less than 15,000 barrels (465,000 gallons) of beer per year.
Regional Brewery	Breweries that produce from 15,000 to 2 million barrels of beer per year.
Contract Brewing Company	Normally hires a brewery to produce its beer. The contract brewing company, however, will retain control over the marketing, sale, and distribution of the beer.
Regional Specialty Brewery	Primarily produces an all malt or specialty beer.

Source: Association of Brewers.

APPENDIX D: BEER INGREDIENT DESCRIPTION

Beer Ingredient Description	
Ingredient	Description
Water	<p>As a beer's principal ingredient, the quality of water utilized in the brewing process is of fundamental importance. The dissolved mineral content in the water as well as the water's pH, significantly impact the beer's taste.</p> <p>U.S. breweries seeking to penetrate a specific market may wish to tailor the levels of Calcium Sulfate (gypsum), Calcium Chloride, Sodium Chloride (table salt), and Magnesium Sulfate (Epsom salt) utilized in their brewing water to that market's particular preferences.</p>
Malts	<p>Beers such as pale ales, porters, and stouts are crafted from malted grains. According to the Association of Brewers, all grain brewing involves mashing base malts. Nevertheless un-malted grains such as oats, wheat, and/or roasted barley can also be used in the brewing process.</p> <p>The use of adjuncts, such as rice and corn, is utilized to generate fermentable sugars without imparting flavor or adding body to the beer. The use of adjuncts in place of malts or malt extract produces a thinner, less flavorful product.</p>
Hops	<p>Hops are cultivated flowers (<i>humulus lupulus</i>) used for preservative and flavoring characteristics in beer. The hops' bitterness counters the rich sweetness of the malt.</p> <p>Hops can be added at the beginning of the boil (bittering hops), providing the bitterness necessary to counter the malt's sweetness, or can be added toward the end (finishing hops) of the boil process in order to add flavor and aroma.</p> <p>Different types of hops give beers their distinct flavors and aromas (e.g., cascade hops give American pale ale a citrus-like quality). For a list of some of the varieties of hops being grown in the United States and the particular characteristics that they impart see, http://www.uvm.edu/~pass/perry/hopvars.html.</p>
Yeast	<p>Yeasts are single-celled microorganisms that play a critical role in beer brewing. They are responsible for converting fermentable sugars found in malt into both ethanol (alcohol) and other by-products such as carbon dioxide. For other possible flavor compounds produced during fermentation see, http://www.beeradocate.com/beer/101/yeast.php.</p> <p>The two major classes of yeast associated with the brewing industry are ale and lager. The former is a top-fermenting yeast that is able to ferment at warmer temperature ranges (55 – 75 degrees Fahrenheit/ 13 – 24 degrees Celsius). The latter is a bottom fermenting yeast that ferments within a colder temperature range (32 – 55 degrees Fahrenheit/ 0 – 13 degrees Celsius).</p> <p>The final flavor of beer depends on the quality of malt, type of hops, water, the strain of yeast, and the temperature at which fermentation occurs.</p>

Source: Association of Brewers, Pyle, Norm, and the Beer Advocate.

APPENDIX E: USEFUL WEB SITES

BUREAU OF ALCOHOL, TOBACCO AND FIREARMS ALCOHOL
IMPORT/EXPORT BRANCH

<http://www.ttb.gov/alcohol/info/interre1.htm>

ASSOCIATION OF BREWERS

<http://www.beertown.org/>

THE BEER ADVOCATE

<http://beeradvocate.com/>

USDA – FOREIGN AGRICULTURAL SERVICE

<http://www.fas.usda.gov/>

U.S. TRADE EXPORTS – BICO COMMODITY AGGREGATIONS

<http://www.fas.usda.gov/ustrade/USTExBICO.asp?QI=>